



TITLE:

THE JAPANESE TAXATION SYSTEM IN SOUTH MANCHURIA

AUTHOR(S):

Shiomi, Saburo

CITATION:

Shiomi, Saburo. THE JAPANESE TAXATION SYSTEM IN SOUTH
MANCHURIA. Kyoto University Economic Review 1931, 6(1): 29-57

ISSUE DATE:

1931-07

URL:

<https://doi.org/10.11179/ker1926.6.29>

RIGHT:

Kyoto University **Economic Review**

MEMOIRS OF
THE DEPARTMENT OF ECONOMICS
IN
THE IMPERIAL UNIVERSITY OF KYOTO

VOLUME VI
1931

PUBLISHED BY THE DEPARTMENT
OF ECONOMICS IN
THE IMPERIAL UNIVERSITY OF KYOTO

THE JAPANESE TAXATION SYSTEM IN SOUTH MANCHURIA

CHAPTER I. PREFACE

Manchuria is in the north-east of China, and consists of the three provinces of Heilungkiang, Kirin and Liaoning, its area covering about 64,700 square *ri* (one *ri* being about 2.44 miles). Japan holds in lease Kwantung province in the southern part of Manchuria, and, moreover, exercises administrative powers in the South Manchuria Railway zone. The extent of Kwantung province is only 224,492 square *ri*, while the South Manchuria Railway zone covers a much smaller area of 17,943 square *ri* outside Kwantung province. The two areas put together are 242,435 square *ri*, or of about the same extent as *Nara* prefecture in Japan proper. In area, therefore, the zone over which Japan exercises administrative powers constitutes merely one—268th of the whole extent of Manchuria. Kwantung province and the South Manchuria Railway zone are, nevertheless, of great importance to Japan from many points of view.

The latest census taken on October 1st, 1930, puts the population of Kwantung province at 955,727, and that of the South Manchuria Railway zone at 372,244, making a total of 1,327,971. The density of population in Kwantung province is given as 4,257 per square *ri* and in the railway zone as 20,746, the average density for both being 5,478 per square *ri*. This means that these regions surpass, in point of density, Japan proper (2,603 per square *ri*), Formosa (1,970), Korea (1,471), Karafuto (126), and the South Seas Islands under Japan's mandatory rule (500). It will be interesting to know the financial system—the taxation system in particular—which Japan operates in these regions abroad

where the population is more dense than in Japan proper or any of her colonial possessions. In the present article dealing with the Japanese taxation system in South Manchuria, I propose to treat separately the taxation system in Kwantung province and that in the South Manchuria Railway zone, on the basis of statistical figures.

CHAPTER II. THE TAXATION SYSTEM IN KWANTUNG PROVINCE (LEASED TERRITORY)

The leased territory of Kwantung is located in the southern part of Liaotung peninsula. It faces the Yellow Sea on the east and the Pechihli on the west. It covers the land and islands south of a line extending from a point near Changyangszehuei, north of Pulandtien, to the Piliouho, east of Pitzewo, with a total area of 224.49 square *ri*. I will first make clear the financial system of the Kwantung Government, and then deal with the taxation system, and lastly the taxation system in the municipalities and *kai* (villages).

1. THE FINANCIAL SYSTEM IN KWANTUNG

At the time of the Russo-Japanese War, Japan put Kwantung province under military rule as a matter of expediency. Later, in July, 1906, the official regulations governing the Residency-General of Kwantung was promulgated in Imperial Ordinance No. 196. On September 1st of the same year, the military administration was abolished in favour of a civil administration. Various revisions were subsequently made by several Imperial Ordinances until the official regulations for the direction of the Kwantung Government were enacted in April, 1919. The official regulations for the direction of the Residency-General of Kwantung were simultaneously abolished. Since then, the administration there has taken on

a more civil character¹⁾.

The special account law of the Residency-General of Kwantung, promulgated in March, 1907, in Law No. 17, and the Kwantung local expenditure law, promulgated in March of the same year in Imperial Ordinance No. 48, constitute the basis of the financial administration of the Kwantung Government. At first the special account of the Residency-General of Kwantung was under the jurisdiction of the Foreign Office, but on the establishment of the Colonial Bureau in June, 1910, it was transferred to the jurisdiction of the Finance Department. It reverted to the jurisdiction of the Foreign Office on the abolition of the Colonial Bureau in June, 1913, and was again transferred to that of the Finance Department when the Colonial Bureau was revived in July, 1917. Simultaneously with the promulgation of the official regulations for the direction of the Kwantung Government in April, 1919, the name of the special account was changed to the Kwantung Government special account²⁾. Since the Department of Overseas Affairs was created, it has been under the jurisdiction of the new Department.

The financial system in Kwantung must be studied from both sides of the Kwantung Government special account and the local expenditure account of the Kwantung Government. It is accordingly necessary to make clear, in the study of the taxation system operating there, the position occupied by the national tax in the revenue of the Kwantung Government special account and the percentage of the provincial local taxes to the revenue of the local expenditure account of the Kwantung Government.

In the following Table No. 1, the special account revenue is classified into the ordinary and extraordinary sections, and the ordinary section is subdivided into taxes and other items,

1) Institute of Manchurian and Mongolian Civilisation; Manchuria and Mongolia Library, Vol. II, p. 162.

History of Two Decades of The Government of Kwantung, p. 19.

2) Manchuria & Mongolia Library, Vol. II, p. 171.

History of Two Decades of the Government of Kwantung. p. 103.

while the extraordinary section is subdivided into grants-in-aid, the surplus for the previous year transferred, and other items³⁾.

Table No. 1.

The special account revenue of the Kwantung Government (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

The figures for the fiscal year 1929—1930 represent the budgetary estimates, while all other figures embody the settled account.

Fiscal year	Ordinary revenue			Extraordinary revenue				Total
	Taxes	Other items	Total	Grants-in-aid	Surplus for previous year transferred	Other items	Total	
1907—1908	152	1,115	1,267	3,000		5	3,005	4,273
1908—1909	195	1,179	1,374	3,121	821	43	3,985	5,360
1909—1910	207	1,312	1,519	2,964	1,128	36	4,129	5,648
1910—1911	207	1,424	1,631	3,615	1,030	364	5,010	6,642
1911—1912	266	1,529	1,796	3,691	871	293	4,855	6,652
1912—1913	182	1,600	1,782	3,122	1,153	104	4,380	6,162
1913—1914	234	1,679	1,913	2,347	803	473	3,625	5,538
1914—1915	278	1,829	2,107	2,233	1,109	39	3,382	5,490
1915—1916	276	1,945	2,221	1,937	1,373	31	3,341	5,563
1916—1917	339	2,469	2,782	2,007	1,444	46	3,497	6,280
1917—1918	319	3,245	3,584	2,007	2,072	60	4,140	7,725
1918—1919	319	4,223	4,542	2,103	3,112	105	5,321	9,863
1919—1920	381	5,434	5,816	3,000	2,967	674	6,641	12,458
1920—1921	1,012	6,550	7,563	3,250	2,926	483	6,660	14,224
1921—1922	2,554	6,294	8,849	4,000	2,518	1,435	7,954	16,803
1922—1923	3,512	6,387	9,900	4,300	3,011	2,132	9,443	19,343
1923—1924	3,679	6,666	10,345	4,000	4,126	627	8,753	19,099
1924—1925	3,577	6,789	10,367	4,000	3,495	854	8,350	18,717
1925—1926	3,587	7,221	10,808	3,000	3,479	659	7,139	17,947
1926—1927	3,689	7,827	11,516	3,000	3,911	594	7,505	19,022
1927—1928	3,703	8,615	12,318	4,000	4,441	1,441	9,882	22,201
1928—1929	4,561	11,148	15,709	4,000	5,215	1,551	10,768	26,478
1929—1930	3,810	12,054	15,865	5,000	1,829	1,396	8,226	24,091

3) Statistical Year-Book of the Kwantung Government.

One prominent feature of the Kwantung Government special account revenue is that the extraordinary section has got a grant-in-aid (subsidy) from the general account since 1907 without exception. On the other hand, the tax revenue in the ordinary section, which was at first quite insignificant, has considerably increased since about 1920 until it is now almost equivalent in amount to the grant-in-aid.

Next, the revenue in the local expenditure account of the Kwantung Government since 1907 reveals the figures given in Table No. 2. In this table, the ordinary revenue is divided into taxes, patent fees, and other items and the extraordinary revenue into grants-in-aid from the national treasury, the surplus for the previous fiscal year transferred, and other items.

Table No. 2.

The local expenditure account revenue of the Kwantung Government (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

The figures for the fiscal year 1929—1930 represent the budgetary estimates, while all other figures embody the settled account.

Fiscal year	Ordinary revenue				Extraordinary revenue				Total
	Taxes	Patent fees	Other items	Total	State sub-sidy	Surplus for previous year transferred	Other items	Total	
1907—1908	281	—	147	428	162	296	6	466	895
1908—1909	304	—	440	745	150	139	55	344	1,089
1909—1910	315	—	485	800	150	161	74	386	1,187
1910—1911	312	—	529	842	200	65	50	316	1,158
1911—1912	315	—	538	854	200	124	21	346	1,200
1912—1913	287	—	579	866	200	165	5	371	1,238
1913—1914	293	—	614	908	200	118	8	327	1,235
1914—1915	299	—	671	970	200	208	93	502	1,473
1915—1916	352	2,288	463	3,105	190	403	13	607	3,712
1916—1917	375	2,593	531	3,500	—	1,899	13	1,913	5,413
1917—1918	347	7,422	622	6,392	—	2,260	17	2,278	8,670
1918—1919	470	4,894	1,029	6,394	—	4,208	26	4,235	10,630
1919—1920	593	2,253	1,297	4,144	—	4,716	38	4,754	8,899
1920—1921	1,384	3,737	1,431	6,552	—	4,081	47	4,128	10,681

1921—1922	1,645	1,585	1,722	4,953	—	3,785	140	3,925	3,879
1922—1923	1,784	1,271	1,813	4,870	—	4,089	34	4,123	8,993
1923—1924	1,798	1,118	1,752	4,670	—	3,895	23	3,919	8,589
1924—1925	1,809	1,285	1,822	4,917	—	3,720	22	3,743	8,661
1925—1926	4,674	1,610	1,979	5,264	—	3,860	87	3,947	9,212
1926—1927	1,867	1,634	2,038	5,540	—	4,074	188	4,262	9,803
1927—1928	1,951	1,445	2,144	5,541	1,000	4,364	83	5,448	10,989
1928—1929	1,914	474	2,167	4,556	1,000	4,253	235	5,489	10,045
1929—1930	1,593	130	1,989	3,713	1,000	1,432	39	2,472	6,185

One noteworthy fact in Table No. 2 is that grants-in-aid from the national treasury, which continued until 1915, were temporarily suspended from 1916 till 1926, and revived in 1927. The extraordinary revenue section of the Kwantung Government gets a grant-in-aid from the national treasury, as already mentioned, and the extraordinary expenditure section of the same special account gives it to the extraordinary revenue section of the local expenditure special account of the Kwantung Government. Thus, the grant-in-aid in question helps the local expenditure special account of the Kwantung Government indirectly, through the special account of the Kwantung Government. It may also be mentioned that besides the taxes belonging to the special account of the Kwantung Government, there is a good amount of tax revenue belonging to the local expenditure account of the Kwantung Government.

2. TAXATION SYSTEM IN KWANTUNG PROVINCE

(A) Taxes accruing to the Kwantung Government special account. Table No. 3 shows a classification of the tax revenue in the ordinary section of the Kwantung Government special account⁴⁾.

4) Statistical Year Book of the Kwantung Government.

Table No. 3.

The taxes belonging to the special account of the Kwantung Government (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

The figures for the fiscal year 1929—1930 represent the budgetary estimates, while all other figures embody the settled account.

Fiscal year	Land tax	Salt tax	Income tax	Ex-change business tax	Ex-change tax	Liquor tax	To-bacco tax	Ship-ping tax	Total
1907—1908	105	47	—	—	—	—	—	—	152
1908—1909	105	90	—	—	—	—	—	—	195
1909—1910	106	101	—	—	—	—	—	—	207
1910—1911	106	101	—	—	—	—	—	—	207
1911—1912	106	160	—	—	—	—	—	—	266
1912—1913	106	75	—	—	—	—	—	—	182
1913—1914	107	127	—	—	—	—	—	—	234
1914—1915	108	134	—	—	—	—	—	35	278
1915—1916	108	167	—	—	—	—	—	—	276
1916—1917	109	204	—	—	—	—	—	—	313
1917—1918	109	230	—	—	—	—	—	—	339
1918—1919	109	209	—	—	—	—	—	—	319
1919—1920	163	218	—	—	—	—	—	—	381
1920—1921	217	198	368	52	175	—	—	—	1,012
1921—1922	217	164	1,829	156	187	—	—	—	2,554
1922—1923	217	244	1,895	64	188	232	669	—	3,512
1923—1924	216	351	2,030	17	109	282	670	—	3,679
1924—1925	217	353	1,903	6	99	291	706	—	3,577
1925—1926	217	359	1,928	6	119	281	674	—	3,587
1926—1927	217	301	2,034	11	115	326	682	—	3,689
1927—1928	216	301	1,999	9	89	276	710	—	3,703
1928—1929	216	331	2,661	9	84	404	853	—	4,561
1929—1930	216	301	2,146	9	71	376	689	—	3,810

As may be seen from the above table, the land tax and the salt tax are the oldest of all the taxes. It was not until 1920 that the income tax, the exchange business tax and the exchange tax were added to the list. In 1922, the liquor tax and the tobacco tax were created.

Let me now make some general explanation of the various taxes belonging to the Kwantung Government special account⁵⁾.

The land tax was created in 1895 by the Kwantung Province Land Tax regulations (Civil Administration Office Order No. 6 of the Kwantung Government, dated 1895, which was revised by the Kwantung Government Order No. 44 in 1918, by Order No. 33 in 1920, and by Order No. 61 in 1924). Under these regulations, the tax is collected from landowners at the rate of 20 sen per annum per *se* (about 180 *tsubo*) of arable land. This offers a singular contrast with the land tax in Japan proper, which is assessed on the registered value of arable or other kinds of land and which is going to be assessed on the basis of the rental value of land shortly.

The salt tax is imposed in accordance with the salt tax regulations and the detailed regulations for the enforcement of this law (Liaotung Garrison Order No. 21, issued in 1905). On the salt manufactured in Kwantung province, the tax is levied at the rate of 60 sen per *koku* (equivalent to about 2.5 *koku* in Japan proper) when leaving its manufactory, while on the salt imported into Kwantung province (except Japanese salt), it is levied at the rate of ¥1.50 per *koku* on the importer. In Japan, salt is a Government monopoly, but in Kwantung province an entirely different system operates.

The income tax is based on the Kwantung Province Income Tax ordinance (Imperial Ordinance No. 227, issued in 1920, and revised by No. 91 in 1921, by No. 265 in 1924, by No. 271 in 1926, and by No. 87 in 1927). The following three different rates are levied:

(a) Incomes of juridical persons with their head offices or principal offices in Kwantung province.

(b) In case of juridical persons, which, though not having their head offices or principal offices in the territory where the income tax law operates, in Korea, in Formosa

5) Law of Taxation of Kwantung Province.

or in Karafuto (Japanese Saghalien), have property or carry on business in Kwantung province, incomes accruing from such property or business.

- | | |
|---------------------------|---|
| 1. On ordinary incomes | 5 per cent. |
| 2. On excess incomes | exceeding 10 per cent. of the capital per annum |
| | 4 per cent. |
| | exceeding 20 per cent. of the capital per annum |
| | 10 per cent. |
| 3. On liquidation incomes | exceeding 30 per cent. of the capital per annum |
| | 20 per cent. |
| | 5 per cent. |

The income tax in force in Kwantung province must be described as very light, as compared with the one in operation in Japan proper, which is imposed not only on the incomes of juridical persons (A-class income) but on those belonging to the B-class and the C-class.

The exchange business tax and the exchange tax are provided for in the Kwantung province exchange tax regulations (Kwantung Government Order No. 8, issued in 1920). The rate of the exchange business tax is fixed at 15 per cent. of the incomes from commissions on sales or purchases. The rates of the exchange tax differ according to the source of income, A-class (local loan bonds and debentures), B-class (other negotiable instruments), C-class (commodities) and D-class (money exchanges). They are 0.15 per mille of the amount of sale contracts in settlement dealings (for A-class), 0.30 per mille (for B-class), 0.20 per mille (for C-class), 0.01 per mille (for D-class within Kwantung province) and 0.05 per mille (for D-class outside Kwantung province).

The liquor tax is provided for in the Kwantung Province Liquor Tax Ordinance (Imperial Ordinance No. 198, enacted in 1922, and amended by Imperial Ordinance No. 64 in 1926). With regard to liquors produced in Kwantung province, it is imposed on brewers according to the quantity produced, while regarding those imported into the province it is levied on consignees according to the quantity imported. The taxable liquors are classified into (a) brewed liquors, (b) distilled liquors other than spirits, (c) spirits, and (d)

remanufactured liquors. The rates on brewed liquors are as follows:—

- | | |
|---|---------------------|
| (a) For Chinese liquors, refined, yellow, and unrefined | Three yen per koku. |
| (b) For beer | Six yen per koku. |
| (c) For wine | 16 yen per koku. |
| (d) For other brewed liquors | 12 yen per koku. |

With regard to Chinese liquors, the manufacture of liquors for domestic use is specifically allowed. In rates and in many other respects, the liquor tax in Kwantung province is different from the *sake* tax in Japan proper.

The tobacco tax is imposed under the Kwantung Province Tobacco Tax Ordinance (Imperial Ordinance No. 199, enacted in 1922). This tax is collected, according to the rates given below, from those who take delivery of tobacco either from the bonded zones (leaf-tobacco storages, tobacco factories, bonded warehouses, or other places which are either designated or sanctioned by the authorities concerned as depositories for taxable articles) or from post offices, the collections being made when they take delivery.

- | | |
|---|---|
| 1. Manufactured tobacco | <div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; vertical-align: middle;"> For cigarettes with a mouth piece and cut tobacco </div> <div style="display: inline-block; vertical-align: middle; font-size: 3em; margin: 0 5px;">{</div> <div style="display: inline-block; vertical-align: middle;"> 25 per cent. of the retail price.
 For other manufactured tobacco
 30 per cent. of the retail price. </div> </div> |
| 2. Leaf tobacco (including waste tobacco) | 25 per cent. of the retail price. |

Like the liquor tax, the manufacture of tobacco for domestic use is allowed. There is a marked difference between the tobacco tax system in Kwantung province and the tobacco monopoly system in Japan proper.

(B) Taxes belonging to the Kwantung Government local expenditure account.

The provincial local taxes, that is, the taxes belonging to the Kwantung Government local expenditure account, consist of the business tax and the miscellaneous tax—including the tax on the increased value of land. The figures in Table No. 4 show the revenues from the various local

taxes⁶⁾ :—

Table No. 4.

The taxes belonging to the local expenditure account of the Kwantung Government (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

The figures for the fiscal year 1929—1930 represent the budgetary estimates, while all others embody the settled-account for the fiscal years concerned, with sums received in these years as brought forward from the previous year or the amount of deficit added.

Fiscal year	Business tax	Miscellaneous tax	Total
1907—1908	166	129	296
1908—1909	187	131	319
1909—1910	197	137	334
1910—1911	191	111	303
1911—1912	196	127	323
1912—1913	166	128	295
1913—1914	173	126	300
1914—1915	169	134	303
1915—1916	172	182	355
1916—1917	191	185	377
1917—1918	153	196	349
1918—1919	261	215	477
1919—1920	331	295	626
1920—1921	1,056	449	1,506
1921—1922	1,270	463	1,733
1922—1923	1,394	461	1,856
1923—1924	1,444	449	1,894
1924—1925	1,469	438	1,907
1925—1926	1,269	469	1,739
1926—1927	1,375	527	1,903
1927—1928	1,377	573	1,951
1928—1929	1,339	596	1,936
1929—1930	1,084	509	1,593

In Article 2 of the Kwantung Province Local Expenditure Ordinance (Imperial Ordinance No. 48, issued in 1907),

6) Twenty Year's History of The Government of Kwantung. p. 10.

the provincial local taxes are confined to the business tax and the miscellaneous tax, while the Kwantung Province Local Tax Regulations, issued in the Residency-General Order No. 18 in 1907, provided that the methods of levying and collecting these taxes should be the same as those followed in the days of the military administration⁷⁾. Later, in April, 1911, the new regulations governing the local taxes were enacted in Residency-General Order No. 11, and another new set of regulations were promulgated in 1916. To explain the business tax, the miscellaneous tax and the tax on increased value of land:—

The business tax now in force was created by the Kwantung Province Business Tax Regulations (Kwantung Government Order No. 17, issued in 1916), and is imposed on those who carry on business with their business houses in Kwantung province, according to the different rates fixed for different trades. The kinds of business to be taxed and the standards of assessment are as follows:—

Sale of goods (proceeds of sale, both in the wholesale and in the retail business), banking (amount of capital), insurance and mutual credit (amount of capital), money-lending (amount of revenue), loan of articles (amount of revenue), manufacturing (proceeds of sale), transportation (amount of revenue), forwarding agency (amount of remuneration), railway (amount of revenue), warehousing (amount of revenue) contract business (amount contracted for), printing and publication (amount of revenue), photographing (amount of revenue), renting-rooms, restaurants and brothels (amount of revenue), hotels and inns (amount of revenue), eating houses (amount of revenue), employment agencies, brokers, agencies, money-exchanges, wholesale, trust, and scribes (amount of remuneration), exchange trust business (amount of revenue), laundry and bath houses (amount of revenue), barber (amount of revenue), amusement

7) History of Two Decades of The Government of Kwantung, p. 70.

halls (amount of revenue), *geisha* houses (amount of revenue).

The business tax in Kwantung province is on what is called the outward standard principle, and differs entirely from the business profit tax in Japan proper, which is based on the profit principle.

The miscellaneous tax in force is provided for in the Kwantung Province Miscellaneous Tax Regulations (Kwantung Government Order No. 32, enacted in 1916). It is levied on (a) things (houses for rent, vehicles and ships) and (b) specific acts (*geisha*, instructors in light accomplishments, performers of light accomplishments, professional jesters, actors and actresses, waitresses, prostitutes, performances, butchery, and acquisition of immovable property).

Lastly, the tax on the increased value of land deserves note. This tax was created by the Tax on the Increased Value of Land Regulations (Kwantung Government Order No. 13, enacted in 1919), and operates in Port Arthur, Dairen, Taishantun, Shahokow and Hoshantun, of Shahokow *kai*, and Tankiatun of Laohutan *kai* only. In the case of the transfer of landownership with compensation, the tax is collected from the former owner, while in the case of non-transfer of landownership for fifteen years, it is collected from its present owner, in accordance with the increased value of the land. Different rates are levied in these two cases, and in each case there are four grades of rates according to the percentage of the ruling value to the original value.

3. THE TAXATION SYSTEM IN CITIES AND *KAI* (VILLAGES)

The form of local administration in Kwantung province differed as the province was variously under military rule, under the régime of the Residency-General, and under the

present Kwantung Government. As far back as the days of the military administration, efforts were made to lay the foundations of local administration, but it was rather during and after the régime of the Residency-General that the system of local self-government was established. The Sanitary Associations Regulations were enacted in February, 1907, in Residency-General Order No. 9, and in another Order, No. 26, issued in September, 1915, the Dairen and Port Arthur Municipality Regulations were promulgated, thereby substituting municipalities for the sanitary associations. The latter regulations were put into force on October 1st of the same year. As regards *kai*, there were formerly no laws or regulations to go by. The local administration of *kai* had been conducted simply in accordance with local customs until February, 1919, when sub-rules governing *kai* administration and other correlative regulations were enacted.

On the establishment of the Kwantung Government in place of the Residency-General in April, 1919, the local autonomy system made big strides. Regarding cities, the municipal system was inaugurated by Imperial Ordinance No. 130 in May, 1924, while with regard to *kai*, the *Kai* Regulations were enacted, in June, 1925, by Imperial Ordinance No. 238⁸⁾. Under these regulations, autonomy was firmly established for city and *kai*. Thus, the municipal administration was introduced for Dairen and Port Arthur, and the *kai* administration for all villages, Kwantung province being divided into administrative districts of two municipalities and sixty-nine *kai*.

Table No. 5 shows the settled-account figures of the expenditure of the municipalities and *kai*⁹⁾.

8) History of Two Decades of the Government of Kwantung, p. 30.

9) Abstracts of the Kwantung Government.

Table No. 5.

The settled-account figures of the expenditure of municipalities and *kai* (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

Fiscal year	Port Arthur	Dairen	<i>Kai</i>
1912—1913	—	—	157
1913—1914	—	—	190
1914—1915	—	—	217
1915—1916	19	62	204
1916—1917	39	122	228
1917—1918	39	124	216
1918—1919	41	148	238
1919—1920	61	370	315
1920—1921	78	856	354
1921—1922	91	689	454
1922—1923	87	834	567
1923—1924	90	751	605
1924—1925	90	763	706
1925—1926	100	799	705
1926—1927	150	1,026	859
1927—1928	108	1,066	876
1928—1929	104	1,224	1,115

Both the municipalities and *kai* have little revenue-producing property which may be utilised for meeting their expenditure, nor have they much revenue from fees and rents. In such circumstances, the major part of the expenditure is met by municipal taxes and *kai* taxes. Let me now explain the taxation system in cities and *kai* in the light of the budgets for the fiscal year 1926—1927 and 1928—1929¹⁰⁾.

The municipal taxes consist of the house-rate, the local surtax, and the special tax, the revenues from these sources being given in the following table:—

10) Economic Extra Commission of the S. M. R. C.; Burden of Taxation in our Colonies.

Fiscal year	House-rate	Kwantung province local surtax	Special tax			Total
			Tax on houses for rent	Tax on vehicles for use	Amusement tax	
1926—1927	¥ 589,212	¥ 6,500	¥ 5,250	¥ 9,768	¥ 79,000	¥ 689,730
1928—1929	672,427	21,100	900	13,680	85,000	801,207

The house-rate is imposed on those who maintain households, on those who, though not maintaining households, earn an independent living, and on juridical persons with their business houses. The rates levied vary according to the amount of property and incomes, and the condition of living and business.

The local surtax is imposed on the tax on acquired rights to immovable property, which is part of the miscellaneous local tax.

The first and foremost item of the special tax is the amusement tax. In the fiscal year 1919—1920, those who run *kashiseki* (rent of halls or rooms), restaurants and brothels were made liable to the amusement tax, but in the fiscal year 1925—1926, the methods of collection were revised. They were so altered that suppliers of *geisha*, professional jesters, actors and actresses, prostitutes and waitresses were made responsible for the payment of tax, which their customers as tax-bearers.

The tax on vehicles in use, which is another item of the special tax, is imposed on motor cars for private use, motor cars for business use, carriages for private use and rikisha for private use.

The tax on houses for rent, which also falls under the category of the special tax, is imposed on the owners of houses for rent, who, not residing in the city concerned, is exempt from the duty of paying the house-rate. It is assessed on the basis of the rental value of such houses.

The *kai* taxes consist of the house-rate, the acreage tax and the special tax.

Fiscal year	House-rate	Acreage rate	Special tax		Total
			Business-rate	Miscellaneous-rate	
	¥	¥	¥	¥	¥
1925—1926	112,446	372,971	47,575		532,992
1928—1929	136,446	530,544	10,173	7,516	752,679

The house-rate is imposed on those who maintain households, on those who, though not maintaining households, earn an independent living, on juridical persons and on associations with their business houses or offices. The rates differ according to the amount of property and incomes, the condition of livelihood, etc.

The acreage tax is levied on arable land, forest land and reeded land. A uniform rate is charged on each class of land. In regard to private land, its owner or pledgee, and in respect of the land loaned by the government, its leaseholder has the obligation to pay the tax.

The business-rate, which falls under the head of the special tax, has for objects of taxation house-dogs, carriages, shipping registered in the province, shipping not registered in the province, fishing nets, slaughter-house, salt manufacture, ice-making, and stone-breaking, and is levied on those who either own, operate or engage in them.

CHAPTER III. TAXATION SYSTEM OPERATING IN THE SOUTH MANCHURIA RAILWAY ZONE

The South Manchuria Railway zone covers the railway land and an area of more than 17 square *ri* allotted for use as residential land. It extends in length from Dairen to Changchun, a distance of 438 miles, from Mukden to Antung, a distance of 161 miles, and is also inclusive of the regions along the Port Arthur railway line, the Yingkow line, the Yentai line, the Fushun line, the Hunyu line, and Piaoer

line. The width of the railway zone is 426.72 metres at the widest point and 42.67 metres at the narrowest point of the trunk line of the South Manchuria Railway, while as for the Antung-Mukden line, it is 36.1 metres at the widest point and 16.76 metres at the narrowest. The normal width is 62 metres. In towns or other districts where special circumstances rule, the area is more extensive. It is in this railway zone that the South Manchuria Railway Company administers local affairs.

1. ADMINISTRATION IN THE RAILWAY ZONE

With regard to the legal status of the railway zone, the results of exhaustive research have already been made public, the latest article on this subject being published by Professor Royama quite recently. I will, therefore, refrain from any discussion of this subject in the present article, which will deal exclusively with matters having direct relation to the financial system—the taxation system in particular¹¹⁾.

On August 1st, 1906, an order bearing the joint signatures of Mr. Yamagata, Minister of Communications, Baron Sakatani, Minister of Finance, and Count Hayashi, Foreign Minister, was issued to General Count Terauchi, Chairman of the Organising Committee of the South Manchuria Railway Company, and eighty members of that Committee. Article 5 and 6 of this order read:—

Article 5. The Company, with the sanction of the Government, shall provide the equipment necessary for engineering works, education and sanitation within the bounds of the land for use for the railway and any other collateral undertakings.

Article 6. In order to finance the works mentioned in the foregoing Article, the Company can collect administrative fees from the inhabitants within the bounds of the land for use of the railway and other collateral undertakings and levy on them whatever other imposts may be necessary, subject to the sanction of the Government.

11) Problems of Administration in the South Manchuria Railway zone (Journal of International Law and Diplomacy, Vol. XXIV, Numbers 5 & 6).

As the above-mentioned order shows, the South Manchuria Railway Company is ordered by the Government to provide within the railway zone the equipment necessary for engineering works, education and sanitation, and is at the same time authorised to collect, with the sanction of the Government, administrative fees and other necessary imposts from the inhabitants in the zone. In this way, the foundation of the Company's local administrative system were laid. On the opening of the business by the Company on April 1st, 1907, the Local Affairs Department was created within the Company for the transaction of the local administrative business. In order to give effect to the Ministerial order referred to, the Company laid down a contract, with the following provisions, in September, 1907:—

Contract governing the residents in the South Manchuria Railway zone.

In connection with the equipment for engineering works, education and sanitation to be provided by the South Manchuria Railway Company in the railway zone for developing South Manchuria and promoting public interests, those residing or staying with in the zone or those using land and building, or possessing buildings shall agree to the strict observance of the following rules:—

1. Besides observing the various regulations which the Company enacts either in reference to its equipment or for the promotion of public interests, care shall be taken to respect public interests and not to commit such acts as tend to impair them.
2. Public works provided by the Company are offered for common use, and the expense involved in the operation of public works shall be borne by all as public levies. The methods by which these works are offered for common use, and the kinds and rates of public levies will be defined in separate regulations.
3. Those who have violated the present contract or other regulations of the Company or those who have committed acts derogatory to public interests shall raise no objection, if they are ordered to leave the railway zone. In case of necessity, the aid of the police may be called in.
4. As all people, irrespective of their nationality, are, as a matter of course, accorded the same treatment in the railway zone, they shall strictly observe the contract and live in friendly co-operation with one another.

In this way, the South Manchuria Railway Company was authorised to exercise administrative powers for the government of the zone, while military, diplomatic, judicial and police powers were invested in the Kwantung Govern-

ment or Consuls¹²⁾,

The system of local administration by the Company was revised in 1907, 1908, 1914, 1918, 1922, and 1924. At present, local administrative offices are provided at thirteen places, viz. Wafangtien, Tashihchiaio, Yingkow, Anshan, Liaoyang, Mukden, Tiehling, Kaiyuan, Szupingchieh, Kungchuling, Changchun, Penkihu, and Antung. The local affairs at Fúshun, in the factory zone of Shahekow, and in the district in Kwantung province falling under the direct control of the Company are handled by the General Affairs Department of the Fushun colliery, the Shahekow Factory, and the Local Section of the Local Affairs Department of the Company respectively.

While administering the local affairs in this way, the South Manchuria Railway Company instituted local advisory committees, on the nomination system, in October, 1907, and these have since been doing duty as advisory organs for the chiefs of the local administrative offices in the matter of local administration. In July, 1922, these committees were reorganised and renamed local committees. Under the revised system, the committeemen are to be elected from among the male residents paying public levies and equipped with specified qualifications by all the residents, irrespective of sex and nationality, who not only possess the specified qualifications but legally pay their share of the public levies. This system was put into force in August of the same year. The following are the more important articles of the regulations governing the local committees of the South Manchuria Railway Company :—

Article 8. Any one who meets the following requirements is entitled to a vote in the election of local committeemen and preliminary committeemen :—

1. One who has been a resident since six months before the date fixed for the compilation of the list of voters in the same taxation district and who continues to reside there.

12) Twenty Years' Concise History of the S. M. R. C.
Second Ten Years History of the S. M. R. C.

2. One who was paying the house-rate in the taxation district concerned at the date fixed for the compilation of the list of voters and who continues to pay it.

Any one who has not paid his house-rate, shall have his vote suspended until such time as the arrears are made good.

Article 9. All male residents of more than 25 years of age, who have the right to elect local committeemen and preliminary committeemen, are eligible for membership of these committees, except those falling under any of the following disqualifications:—

1. Incompetent or quasi-incompetent persons.
2. Convicts.
3. Those who, despite the action taken against them under Article 5 of the regulations governing demand for payment of public levies and fees in arrears, still fail to make good.

2. LOCAL EXPENDITURE AND PUBLIC LEVIES

The expenditure on account of local administration is divided into extraordinary expenditure and ordinary expenditure. The extraordinary expenditure due to public works is defrayed by the Company out of its own coffer, while the cost of maintaining and repairing such public equipment and the ordinary expenditure required for local sanitation, education, and policing are collected as public levies, a special account being provided for this purpose.

Table No. 6 shows the extraordinary expenditure up to the fiscal year 1926—1927:—

Table No. 6.

The details of the local extraordinary expenditure and the expenditure as classified by fiscal years (figures given in ¥1,000).

Sums less than ¥1,000 are omitted.

(a) Items of the public works and institutions.

	Extraordinary expenditure (In ¥1,000)
Dispensaries	15,149
Schools	13,465
Libraries	561
Health offices	711
Fire-brigade stations	399

Sheep farms	17
Pig farms	6
Sanitary laboratories	386
Cattle-disease laboratories	264
Museums	7
Public buildings	127
Offices	462
Houses for rent	9,379
Residential land	31,053
Forest land	752
Engineering machines	943
Central Experimental Station	890
Agricultural experimental stations	566
Seedling beds	214
Total	75,360

(b) Classification by fiscal years.

	Extraordinary expenditure (In ¥1,000)
Up to 1916	16,407
1917	1,379
1918	1,432
1919	6,745
1920	2,494
1921	7,536
1922	4,867
1923	8,648
1924	10,551
1925	10,388
1926	4,909
Up to 1926	75,360

The ordinary expenditure required for the maintenance and repairs to these public institutions and equipment and for local administrative arrangements is, as a matter of principle, collected from the residents, any deficit in expenditure being supplied by the South Manchuria Railway Company. These levies fall under the category of what is

termed public levies. The public levies revenue, as divided into the house-rate, the miscellaneous rate, grants-in-aid, and other incomes, is shown in Table No. 7.

Table No. 7.

The Public Levies revenue by fiscal years (figures given in ¥1,000).
Sums less than ¥1,000 are omitted.

Fiscal year	Imposts		Grants-in-aid	Other income	Total
	House-rate	Miscellaneous-rate			
1907—1908	17	5	—	3	26
1908—1909	52	18	40	13	124
1909—1910	47	10	84	21	163
1910—1911	48	11	151	21	232
1911—1912	54	17	217	28	317
1912—1913	62	20	270	34	387
1913—1914	95	37	529	55	718
1914—1915	107	38	471	67	685
1915—1916	111	46	475	74	708
1916—1917	113	53	609	82	859
1917—1918	135	68	733	100	1,038
1918—1919	176	84	873	128	1,262
1919—1920	255	119	1,472	165	2,011
1920—1921	515	130	1,819	187	2,653
1921—1922	459	122	1,887	226	2,695
1922—1923	463	128	1,652	258	2,502
1923—1924	522	142	1,786	278	2,730
1924—1925	560	144	2,241	295	3,241
1925—1926	572	206	2,715	274	3,769
1926—1927	586	247	2,842	303	3,979
1927—1928	617	250	2,742	330	3,941
1928—1929	631	307	3,050	353	4,342
Total	6,207	2,211	26,669	3,304	38,393
Percentage	21.9%		69.5%	8.6%	100%

The house-rate and the miscellaneous-rate are comprehensively called imposts. The grants-in-aid represent the subsidy of the South Manchuria Railway Company, and the

"other income" consist of the revenue from property, fees, income from parks, contributions and miscellaneous receipts. Of the public levies revenue, the imposts constitute only 20 per cent., while the grants-in-aid amount to 70 per cent., a fact which is worthy of special note.

3. ANALYSIS OF THE IMPOSTS

The imposts are composed of the house-rate and the miscellaneous-rate. The first provision for the imposts was made in the regulations governing public levies and administrative fees issued in the form of Company's regulations under date of September 28th, 1907. After many revisions subsequently made, the regulations governing the imposts and administrative fees, and those relating to the Public Levies District Account were enacted in March, 1928.

At first, the classification and rates of the imposts were left to those in charge of the administration of the districts concerned to be fixed, subject to the sanction of the Company, but in April, 1909, a more complex system was introduced under which the districts were classified into four grades with a definite maximum limit per household on the average for each grade.

After October, 1910, those with a monthly income of less than thirty yen were made exempt from the house-rate. In the fiscal year 1927—1928, the districts were divided into two kinds, A and B, and the rate-payers in each kind of these districts were classified into fourteen grades, including the special grade, for the imposition of different rates. In 1924, the three different rates of A, B, and C were provided, and in 1925 each of these classes was subdivided into the special and twenty other grades. In the fiscal year 1920—1921, the 19th and 20th grades were struck out from each class, and the house-rate was remitted for those with an annual income of less than ¥600. Since 1921, it has been levied on the income from service minus 20 per cent., with the result that those only

with an annual income of less than ¥750 from service have been exempted from this tax.

Some kinds of the miscellaneous-rate were levied in the fiscal year 1913—1914 on a basis of assessment different from the house-rate. It was divided into the A and B classes for purposes of imposition, while the other kinds were levied without local distinction. In 1916, the miscellaneous-rate was levied on transactions in futures at peas and beans and money-exchanges. In July, 1925, the rate was extended to amusements and houses for rent.

Thus, the house-rate has gradually developed into a sort of income tax, while the miscellaneous-rate has gradually extended its scope and become more complex.

The house-rate is now imposed on those who reside in the taxation district or those who stay in the district for over three months, on juridical persons which have their business offices or shops in the taxation district and on kindred organisations, at the rates which are fixed in consideration of the rate-payer's resources. The house-rate levied by the Mukden administrative office is, for example, classified into the following grades and rates:—

Grades	Rates		
1st	207.50	15th	21.90
2nd	180.00	16th	19.20
3rd	154.00	17th	16.70
4th	129.50	18th	14.30
5th	106.50	19th	12.10
6th	85.00	20th	10.00
7th	74.25	21st	8.55
8th	64.00	22nd	7.20
9th	54.25	23rd	5.95
10th	45.00	24th	4.80
11st	39.90	25th	3.75
12nd	35.00	26th	3.15
13rd	30.40	27th	2.60
14th	26.00	28th	2.10
		29th	1.65
		30th	1.25

The miscellaneous-rate is imposed on the various objects of taxation in the public expense taxation district. Like the house-rate, the rates vary according to the objects of taxation, as the case of Mukden, given below, shows:—

Kinds	Rates
<i>Geisha</i>	3.00
<i>Girl-geisha</i>	1.00
Waitresses	1.50
Actors & actresses (1st class)	2.00
Actors & actresses (2nd class)	1.00
Carriages (for private use)	(6.00)
„ (for business use)	1.20
Carts	1.00
Rikisha (for private use)	(3.00)
„ (for business use)	0.70
Hand-carts	(0.90)
Motor cars (for private use)	(15.00)
„ (for business use)	3.00
Motor buses	4.00
Motor lorries	(1.80)
Pedlers	(1.00)
Sales at improvised shops	1 per cent
Theatrical performances	3 per cent
Amusements	5 per cent
Houses for rent	3 per cent
Transactions in futures at money-exchanges	2 per cent

Lastly, I cite the instance of Mukden in regard to the kinds and rates of the fees as follows:—

Items	Rates
Fees for demanding payment of arrears	0.20
Fines on arrears	0.20
Primary school fees	0.50
Industrial continuation school fees	1.00
Girls' school fees	1.00
Nursing fees	1.00

Education fees	{ for children in custody	30.00
	{ for babies in custody	18.00
Library fees	{ A-white	0.60
	{ A-blue	1.70
	{ A-red	3.00
	{ B-white	0.40
	{ B-blue	1.10
	{ B-red	2.00
Cleanliness fees		
Fees for use of roads	{ short-term	0.091
	{ fixed period	0.151
	{ street-stalls	0.303
Fees for use of parks		
Placenta disposal fees	{ ordinary	0.70
	{ filth	0.40
Fees for use of funeral halls	{ ordinary	5.00
	{ wake-hall	2.00
Cremation fees	{ adult	6.00
	{ child	4.00
Fees for use of cemeteries		
Slaughterhouse fees	{ sheep	0.40
	{ pigs	0.80
	{ donkeys	1.00
	{ horses	1.50
	{ calves	1.50
	{ cows	2.50
	{ ice-chests	
Various other fees		0.50
Fees for hospitals for women	{ accommodation charge	
	{ price of medicine	
	{ operation fee	
	{ medical examination fee	
		various test fees

CHAPTER IV. CONCLUSION

In the previous chapters, I have explained the history

and the present state of the taxation system in South Manchuria, and have shown that there is a marked difference between the system there and that operating in Japan proper, if only seen from the statistical figures available.

The Japanese taxation system in South Manchuria may be tabulated as follows:—

Taxation system in Kwantung province	{	National taxes (land tax, salt tax, income tax, exchange business tax, exchange tax, liquor tax, and tobacco tax.)
		Local taxes (business tax and miscellaneous tax.)
		Municipal taxes (house-rate, surtax on the tax on acqui- sition of rights to immovable property, tax on houses for rent, tax on vehicles for use, and amusement tax.)
		<i>Kai</i> taxes (house-rate, acreage rate, business rate, and mis- cellaneous-rate.)
Taxation system in railway zone (house-rate and miscellaneous-rate.)		

As compared with the taxation system in Japan proper, it lacks the tax on interest on capital and the succession tax. With regard to individual taxes such as the income tax and the land tax, the scope of taxation is restricted. Taken altogether, therefore, the burden of taxation in South Manchuria is much lighter than that in Japan proper. In considering the Japanese taxation system in South Manchuria, however, it is not enough to compare it with that in Japan proper, but one must also compare it with the taxation system and the burden of taxation in other parts of South Manchuria, for a taxation system which is regarded as most advanced from the point of view of the newest theory of taxation may be found to be too advanced, if applied to South Manchuria. In establishing the taxation system for South Manchuria, therefore, it is important to bring it close to the advanced system operating in Japan proper so as both to avoid double taxation and to eliminate the possibility of tax evasion by legal means, on the one hand, and to work out a system, on the other, which is in accord with the peculiar economic conditions in the territory.

The burden of taxation, both in the aggregate and per

capita, in Japan proper, in Kwantung province and in the South Manchuria Railway zone in the fiscal year 1927—1928 is given in the following table⁽³⁾ :—

Burden of taxation			Total (In ¥1,000)	Per capita (Yen)
	(a) Japan proper	national taxes & local taxes*	1,377,858	22.47
		direct national taxes and local taxes	988,697	16.12
	(b) Kwantung province		7,251	9.19
	(c) S. M. R. zone		863	2.48

* Excluding customs duties.

13) 55th Statistical Year-Book of the Bureau of Taxation.

SABURO SHIOMI